

be contingent on the extent that payments on debt instruments held by the FASIT are made in advance of anticipated payments and on the amount of income from permitted assets.

"(B) HIGH-YIELD INTERESTS.—

"(i) IN GENERAL.—The term "regular interest" includes any high-yield interest.

"(ii) HIGH-YIELD INTEREST.—The term "high-yield interest" means any interest which would be described in subparagraph (A) but for—

"(I) failing to meet the requirements of one or more of clauses (i), (iv), or (v) thereof, or

"(II) failing to meet the requirement of clause (ii) thereof but only if interest payments (or other similar amounts), if any, with respect to such interest consist of a specified portion of the interest payments on permitted assets and such portion does not vary during the period such interest is outstanding.

"(2) OWNERSHIP INTEREST.—The term

"ownership interest" means the interest issued by a FASIT after the startup day which is designated as an ownership interest and which is not a regular interest.

"(c) PERMITTED ASSETS.—For purposes of this part—

"(1) IN GENERAL.—The term "permitted asset" means—

"(A) cash or cash equivalents.

"(B) any debt instrument (as defined in section 1275(a)(1)) under which interest payments (or other similar amounts), if any, at or before maturity meet the requirements applicable under clause (i) or (ii) of section 860G(a)(1)(B).

"(C) foreclosure property,

"(D) any asset—

"(i) which is an interest rate or foreign currency notional principal contract, letter of credit, insurance,

guarantee against payment defaults, or other similar instrument permitted by the Secretary, and

"(ii) which is reasonably required to

guarantee or hedge against the FASIT's risks associated with being the obligor on interests issued by the FASIT,

"(E) contract rights to acquire debt instrument s described in subparagraph (B) or assets described in subparagraph (D).

"(F) any regular interest in another FASIT, and

"(G) any regular interest in a REMI.

"(2) DEBT ISSUED BY HOLDER OF OWNERSHIP INTEREST NOT PERMITTED

ASSET

The term permitted asset shall not include any debt instrument issued by the holder of the owners hip interest

in the FASIT or by any person related to such holder or any direct or indirect interest in such a debt instrument. The preceding sentence shall not apply to cash equivalents and to any other investment specified in regulations prescribed by the Secretary.

"(3) FORECLOSURE PROPERTY.— "(A) IN GENERAL.—The term "foreclosure property" means property—